

Fact Sheet in Support of H.R. 3997:
“Heroes Earnings Assistance and Relief Tax (HEART) Act of 2007”

The passage of H.R. 3997 would remove the date restriction on Qualified Veteran Mortgage Bond funds and remove the first-time homebuyer restriction on Qualified Mortgage Bond funds. Many veterans and active duty service men and women in California will be able to become homeowners in California’s high-cost market. These bond funds can usually be offered at lower interest rates than conventional funds, thereby making loans more affordable for veterans. The \$340 million annual cap of Qualified Veterans Mortgage Bonds and an annual allocation of Qualified Mortgage Bond funds will meet the loan demand in California.

Enactment of H.R. 3997 will also correct an inequity between the states that finance veterans housing programs through Qualified Veterans Mortgage Bonds. California and Texas veterans do not receive the same benefits as veterans in Alaska, Oregon and Wisconsin.

Qualified Veterans Mortgage Bonds:

- ❑ Currently, only those who entered the military prior to 1977 are eligible for QVMB financing. Most recent war veterans do not qualify for these funds.
- ❑ If the 1977 date restriction is eliminated from Qualified Veteran Mortgage Bond (QVMB) requirements, it would allow every state eligible veteran to use bond proceeds for home loans.
- ❑ Because of the date-of-service restrictions, only 4.1% of California’s veterans are eligible for a home loan through the use of QVMB in 2007, and the percentage drops to 3.4% in 2008. Removal of the date restriction would open the CalVet Home Loan Program up to thousands of wartime veterans in California.
- ❑ The California Department of Veterans Affairs is in a difficult situation when it comes to funding its veterans’ home loan program. California is home to 2.2 million veterans and has several of the most expensive real estate markets in the United States.
- ❑ The ability to provide newly discharged veterans with low-cost QVMB loans would give many veterans the opportunity to purchase a home.
- ❑ Up to 200,000 active duty service members maintain an address in California by serving at a base there or identifying California as their permanent address. Many of these service members have fought in Iraq and Afghanistan but do not have access to a QVMB home loan once they leave service.
- ❑ Removal of the 1977 restriction on QVMB would ensure that those fighting in Iraq and Afghanistan will have a greater opportunity to purchase a home in one of California’s high-cost real estate markets.

- ❑ California, Texas, Wisconsin, Alaska and Oregon are the five states that use QVMB financing for veterans' home loans. Currently, California and Texas are the only two states unable to use QVMB bond proceeds to finance veterans' home loans for all wartime veterans, even though more than 16 percent of the nation's veterans reside in these two states.

Qualified Mortgage Bonds (QMB):

- ❑ Prior to January 1, 2007, only veterans or civilians who met certain price and income limitations and were first-time homebuyers were eligible for QMB funds. The first-time homebuyer requirement was waived if the homebuyer purchased a home in a "targeted" area.
- ❑ H.R. 6111 was enacted in December 2006, waiving the first-time homebuyer requirement for veterans obtaining loans through bond proceeds issued in 2007. This resulted in a temporary window for veterans that allowed more veterans to qualify for this low-cost source of funds. The Heroes Earnings Assistance and Relief Act of 2007 would waive the first-time homebuyer requirement for veterans permanently.
- ❑ If the waiver of the first-time homebuyer restriction becomes permanent, more veterans meeting the price and income limitations will qualify for loans made through QMB funds. Prior to 2007, less than 10 percent of CalVet Home Loan applications were through QMB funds. Since enactment of HR 6111, that percentage has increased to over 33 percent.